

✓BKK

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval of Rate Increases and)
Revised Rate Schedules and Rules, and for)
Approval and/or Modification of Demand-)
Side and Load Management Programs and)
Recovery of Program Costs and DSM Utility)
Incentives.)

DOCKET NO. 04-0113

DEPARTMENT OF DEFENSE'S NINTH
SUBMISSION OF INFORMATION REQUESTS
TO HAWAIIAN ELECTRIC COMPANY, INC.

AND

CERTIFICATE OF SERVICE

PUBLIC UTILITIES
COMMISSION

2005 MAY 26 P 3:50

FILED

RANDALL Y.K. YOUNG
Associate Counsel (Code 09C)
Naval Facilities Engineering Command, Pacific
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134
Telephone (808) 474-5514

ATTORNEY FOR
DEPARTMENT OF DEFENSE

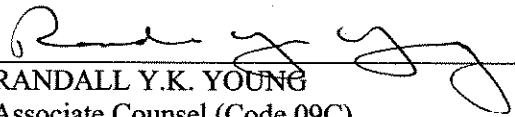
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)	
)	
HAWAIIAN ELECTRIC COMPANY, INC.)	DOCKET NO. 04-0113
)	
For Approval of Rate Increases and)	
Revised Rate Schedules and Rules, and for)	
Approval and/or Modification of Demand-)	
Side and Load Management Programs and)	
Recovery of Program Costs and DSM Utility)	
Incentives.)	
)	

DEPARTMENT OF DEFENSE'S NINTH
SUBMISSION OF INFORMATION REQUESTS
TO HAWAIIAN ELECTRIC COMPANY, INC.

COMES NOW, DEPARTMENT OF DEFENSE ("Applicant") by and through its undersigned attorney, and hereby submits its Ninth Submission of Information Requests to Hawaiian Electric Company, Inc. ("HECO").

DATED: Honolulu, Hawaii, May 26 2005.


RANDALL Y.K. YOUNG
Associate Counsel (Code 09C)
Naval Facilities Engineering Command, Pacific
258 Makalapa Drive, Suite 100
Pearl Harbor, HI 96860-3134
Telephone (808) 474-5514

ATTORNEY FOR
DEPARTMENT OF DEFENSE

DOCKET NO. 04-0113
DEPARTMENT OF DEFENSE'S NINTH
SUBMISSION OF INFORMATION REQUESTS
TO HAWAIIAN ELECTRIC COMPANY, INC.
INSTRUCTIONS

In order to expedite and facilitate Department of Defense's review and analysis in the above matter, the following is requested:

1. For each response, HECO should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, HECO should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by HECO to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, HECO instructions, or any other relevant authoritative source which HECO used.
4. Should HECO claim that any information is not discoverable for any reason:
 - a. State all claimed privileges and objections to disclosure;
 - b. State all facts and reasons supporting each claimed privilege and objection;

- c. State under what conditions HECO is willing to permit disclosure to Department of Defense (e.g., protective agreement, review at business offices, etc.); and
 - d. If HECO claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that HECO claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).
5. Please provide each response in electronic format (if available) as well as paper. Please provide two copies of each response, with one copy going directly via overnight delivery to Department of Defense's consultant at the following address:

Mr. Ralph Smith
Larkin & Associates
15728 Farmington Road
Livonia, MI 48154
Telephone No.: 734-522-3420
E-mail: RSmithLA@aol.com

and the other copy going directly via overnight delivery to:

Dr. Kay Davoodi
Utilities Rates and Studies Office
NAVFAC Washington
1314 Harwood Street, S.E.
Washington Navy Yard, DC 20374-5018
Telephone No.: 702-685-3319
E-mail: Khojasteh.Davoodi@navy.mil

DEPARTMENT OF DEFENSE'S NINTH SUBMISSION OF INFORMATION
REQUESTS TO HAWAIIAN ELECTRIC COMPANY, INC.

DOCKET NO. 04-0113

The following information requests are directed to HECO.

- DOD/HECO-IR-9-1. Impact of HECO updates. Please confirm that HECO does not know and cannot quantify what its updated net operating income, rate base or revenue requirement is. If this is not the case, please show what HECO's updated net operating income, rate base or revenue requirement is in similar format to HECO's filing at HECO-WP-2301 and 2302.
- DOD/HECO-IR-9-2. HECO test year expense updates. Please confirm that HECO is proposing or has conceded to each of the following updates and that the quantification of each is accurate. For any items listed below where HECO has not conceded the adjustment, or for which HECO believes the adjustment is not accurately calculated, please explain fully, provide information that HECO believes is accurate, and reference each amount used in HECO's explanations to a source document and/or previously provided response to a CA or DOD information request:
- a. Other Operating Income should be increased by \$34,386 based on the difference between the revised 2005 test year amortization for the gain on the sale of the Iolani Court Plaza is \$66,647 per the response to CA-IR-372 and the \$32,261 shown on HECO-1320.
 - b. Fuel Related Expenses should be reduced by \$672,000 from \$4.554 million to \$3.882 million.
 - c. Within the Fuel Related Expense adjustment identified in part b is a reduction to the revised Facilities Base Fee for the Kahe Pipeline Facilities from \$783,000 to \$617,000 for the 2005 test year as per CA-IR-132.
 - d. Other Production Operations and Maintenance Expense should be reduced by \$219,851 for removal of non-labor CHP operation and maintenance expenses as a result of the delay in HECO's proposed CHP program as discussed in CA-IR-276, part b.
 - e. Other Production Operations and Maintenance Expense should be reduced by \$838,000 to remove fuel expenses for utility owned CHP systems from the test year.
 - f. Other Production Operations and Maintenance Expense should be reduced by \$75,000 to remove Sun Power for Schools non-labor expenses from HECO's test year as a result of contributions by participating customers as per the response to CA-IR-186.
 - g. Customer Service expense should be reduced by \$29,419,365 to remove DSM expenses from HECO's test year

- h. Customer Service Expense is being increased by \$504,660 (\$370,292-direct charges only plus \$134,368-On-costs) from \$33,458,000, as shown in HECO-1001, as a result of the reorganization discussed in the response to CA-IR-78.
- i. A&G, Rent Expense is being reduced by \$174,000 to \$1,383,000 (per the response to CA-IR-260) in conjunction with HECO's new proposal to treat the King Street Lease as a capital lease, from \$1,557,000 as provided in HECO-1605.
- j. Administrative and General Expenses is being increased by \$129,000 for an increase in Regulatory Commission Expense to \$224,000 (Total cost of \$672,000 amortized over three years, 2005-2007) per CA-IR-256 from the \$95,000 shown in HECO-1603.
- k. Administrative and General Expense is being decreased to remove the \$184,000 annual amortization related to HR Suites Software Development costs, which has been removed from Account 921 – A&G Expenses-Non-labor and that the \$369,000 average balance of unamortized system development costs have been removed from rate base, per the response to CA-IR-352.
- l. Administrative and General Expenses is being increased by \$94,756 for increased HEI charges to HECO, i.e., HECO's test year estimate have been increased to \$1,827,046.92, per the response to CA-IR-419, from \$1,732,290.57 as shown on HECO-1310.
- m. Administrative and General Expense is being increased by \$380,898 for increasing audit expenses to \$754,155 per CA-IR-424 from \$373,257 on HECO T-13 due to increased Sarbanes-Oxley audit fees from KPMG.
- n. Administrative and General Expenses for Research and Development are decreasing by \$171,500, from \$4,009,348 to \$3,837,848 per CA-IR-536.
- o. Administrative and General Expenses are decreasing by \$369,597 for HECO's revised test year estimates for Employee Benefits expenses, other than pensions and OPEB to reflect actual premiums as discussed in the responses to CA-IR-345, CA-IR-348, CA-IR-349 and CA-IR-350 as shown in this chart:

Description	Original Filing	Updated Amount	Difference
Long Term Disability	\$ 684,135	\$ 597,858	\$ (86,277)
Medical Expense	\$ 8,309,652	\$7,990,956	\$(318,696)
Dental Expense	\$ 1,182,744	\$1,222,356	\$ 39,612
Group Vision	\$ 189,636	\$ 185,400	\$ (4,236)
Total	\$10,366,067	\$9,996,570	\$(369,597)

- p. Administrative and General Expenses for Pension and OPEB are increased by \$99,500 and \$306,500 respectively, for HECO's revised test year estimates for pension and OPEB costs, which have been increased to \$4,846,500 and \$8,316,339 respectively (per CA-IR-337) from \$4,747,000 and \$8,009,839 (per HECO-1504).
- q. Depreciation and Amortization Expense has decreased by \$1,341,691 to \$80,132,009, per the response to CA-IR-86, from \$81,474,000 per HECO-1608.
- r. Depreciation and Amortization Expense for amortization for Contributions in Aid of Construction (CIAC) has been reduced by \$26,000 to \$7.484 million, per the response to CA-IR-515, from \$7.510 million per HECO-1608 and HECO-1908.
- s. Depreciation and Amortization Expense is increased by \$521,315 for HECO's new proposed amortization of the King Street Lease, which, per the response to CA_IR-260, HECO now proposes to treat for ratemaking purposes as a capital lease.
- t. Taxes Other Than Income Taxes are reduced by \$202,000 to remove state unemployment taxes (SUTA) from its test year.
- u. That, other than items a through t, above, HECO is not aware of and will not be initiating any additional changes to operating expenses in for the 2005 test year. If this is not the case, please identify, quantify and explain all other known adjustments to 2005 operating expenses.

DOD/HECO-IR-9-3 Rate Base, plant in service. Please confirm that HECO is proposing or has conceded to each of the following updates and that the quantification of each is accurate. For any items listed below where HECO has not conceded the adjustment, or for which HECO believes the adjustment is not accurately calculated, please explain fully, provide information that HECO believes is accurate, and reference each amount used in HECO's explanations to a source document and/or previously provided response to a CA or DOD information request.

- a. 12/31/04 net cost of plant in service has been revised to \$1,241,908,000.
- b. Estimated 12/31/05 net cost of plant in service has been revised to \$1,273,723,000.
- c. Revised 2005 average net cost of plant in service is \$1,257,816,000.

DOD/HECO-IR-9-4 Rate Base, fuel inventory. Please confirm that HECO does not know and cannot quantify what its updated 2005 amount for Fuel Inventory is. If this is not the case, please show what HECO's updated Fuel Inventory for LSFO and separately for diesel fuel is, and include supporting calculations.

- DOD/HECO-IR-9-5 Rate Base Fuel Inventory. With respect to Fuel Inventory, HECO indicates in its update listing that HECO will update its diesel inventory to 26,500 barrels to reflect the latest five-year average of diesel inventory for central station and diesel inventory for DG units at substations. However, Attachment 7, filed in conjunction with HECO's update listing indicates total diesel fuel inventory of 26,009 barrels after including DG inventory. Please identify, quantify and explain each reconciling item that would explain this difference.
- DOD/HECO-IR-9-6 Rate Base. With respect to HECO's revised plant additions due to its betterment accounting practice, please indicate whether or not the projects HECO listed on page 3 of the response to CA-IR-416 were to be completely capitalized prior to the revisions reflected by HECO's settlement agreement with the Consumer Advocate in Docket No. 03-0206.
- DOD/HECO-IR-9-7 Rate Base – SFAS 109 Regulatory Assets. (a) Please confirm that HECO's amortization for the regulatory liability related to the Federal ITC has been reduced to \$576,929 from \$581,772, as discussed in the response to CA-IR-516. (b) Please quantify the impact of the change identified in part a on 2005 income tax expense and separately on 2005 rate base. (c) Please provide HECO's updated 12/31/05 estimate for the Unamortized Net SFAS 109 Regulatory Asset that HECO proposes to include in rate base.
- DOD/HECO-IR-9-8 Working Cash. In its update to its filing, HECO references the response to CA-IR-210, item #9 in conjunction with HECO's revised O&M Labor payment lag for the State Payroll Tax Withholding from the 12 day lag indicated on HECO-1907. However, no revised number of lag days is provided with either the update or the response to CA-IR-210. Please provide HECO's updated O&M payment lag for the revised State Payroll Tax Withholding. Include supporting calculations with your response.
- DOD/HECO-IR-9-9 Other Production Operations and Maintenance Expense. Refer to HECO-701. With respect to HECO's updates to its filing concerning removal of expenses for utility-owned CHP systems, please identify which projects listed on HECO-701 are classified as utility-owned. Please reconcile the utility-owned projects that are being removed with the \$219,851 amount shown on HECO-701.

- DOD/HECO-IR-9-10 Other Production Operations and Maintenance Expense. Refer to HECO T-7, page 20. Please clarify whether or not the CHP related expenses listed totaling \$11,145,892 are the expenses referred to in HECO's update listing, specifically, item iii, listed on page 2, under the heading, Other Production Operations and Maintenance Expense. If not, please identify, quantify and explain all of the expenses for utility-owned CHP systems that HECO is removing from its test year.
- DOD/HECO-IR-9-11 Other Production Operations and Maintenance Expense. Refer to the preceding Information Request. On HECO's update list, under the heading "Other Production Operations and Maintenance Expense", on page 2, both item i and item iii refer to the removal of CHP related expenses, with item i specifically referring to O&M expenses. (a) Please clarify that item iii refers to the removal of all other CHP related expenses with the exception of O&M expenses. (b) Please identify, quantify and explain all of the other expenses for utility-owned CHP systems that HECO is removing from its test year.
- DOD/HECO-IR-9-12 Administrative and General Expenses. Refer to CA-IR-536. Part b of that response and the schedule on page 5 as well as HECO's update to its filing indicate that \$75,000 related to the Sun Power for Schools was removed from Research and Development costs. The response to CA-IR-186 and HECO's update to its filing indicate that the same \$75,000 was removed from Other Production O&M Expenses. (a) Explain whether \$75,000 was included in HECO's filing in both R&D expense and in Other Production O&M expense. (b) Explain whether HECO is removing the \$75,000 from Other Production O&M expense. (c) Explain whether HECO is removing the \$75,000 from R&D expense. (d) Please include documentation for all amounts referenced in your explanations.
- DOD/HECO-IR-9-13 Rate Base. Refer to the response to CA-IR-95. The actual Unamortized Gain on Sales for 2004 is shown to be \$489,000, yet in the response to CA-IR-372, it states that the unamortized gain on sales at 12/31/04 is \$283,503. Please identify, quantify and explain each reconciling item that would explain this difference.
- DOD/HECO-IR-9-14 Other Production Operations and Maintenance Expense. Please explain why HECO-404, page 1 shows CHP diesel fuel costs of \$838,000, while the direct testimony of Scott Seu, on page 17, indicates total diesel fuel costs for CHP projects of \$983,716 (also shown on HECO-701). Please identify, quantify and explain each item that would reconcile this difference.

- DOD/HECO-IR-9-15 Other Production Operations and Maintenance Expense. Refer to the response to CA-IR-441. Page 2 states that “HECO is developing a detailed cost estimate of the capital and O&M costs associated with the deployment of portable leased DG units.” However, in the “Listing and Description of Updates” that HECO provided, no cost estimate for the inclusion of normalized expense for HECO-leased DG units at HECO substations was provided. (a) Please clearly identify all capital and O&M costs for portable leased DG units that was reflected in HECO’s original filing. (b) Please provide HECO’s most current revised capital and O&M cost estimates for portable leased DG units. (c) Please identify, quantify and explain any amounts in the response to part b that differ from the corresponding amounts listed in response to part a.
- DOD/HECO-IR-9-16 Electric Sales Revenue. Please provide HECO’s finalized and updated test year electric sales revenues, and include supporting calculations. (This item was noted as “to be revised” in the “Listing and Description of Updates” that HECO provided, but new revenue figures were not included with that update.)
- DOD/HECO-IR-9-17 Customer Accounts. Please provide HECO’s finalized and updated test year Bad Debt Expense, and include supporting calculations. (This item was noted in the “Listing and Description of Updates” that HECO provided, but HECO’s updated figure was not included with that update.)
- DOD/HECO-IR-9-18 Standard Labor Rates used for 2005 test year projections. Page 4 of HECO’s update listing mentions the problem concerning its development of standard labor rates.
- a. Please confirm that HECO used 2003 actual information to develop the standard labor rates that it used for its 2005 test year projections. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
 - b. Please confirm that in 2003 HECO experienced an abnormally high level of overtime for many departments. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
 - c. Please confirm that HECO pays its employees a higher rate per hour for overtime work than for straight time work. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
 - d. Please confirm that HECO developed its standard labor rates by dividing 2003 Productive Pay by 2003 Productive Hours. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.

- e. Please confirm that the 2003 amounts HECO used for Productive Pay include pay for both straight time and overtime. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
- f. Please confirm that the 2003 amounts HECO used for Productive Hours include both straight time and overtime. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
- g. Please confirm that HECO applied wage and salary inflation to the standard labor rates that were based on 2003 Productive Pay and Hours, in order to derive its proposed 2005 labor cost. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
- h. Please confirm that for the 2005 test year HECO projects hiring substantial quantities of additional personnel, and that HECO has included the labor cost for such additional personnel in its filing, computed using standard labor rates that were computed using 2003 information. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
- i. Please confirm that for the 2005 test year HECO projects significantly reduced overtime in comparison with 2003. If this is not fully accurate, please elaborate in detail so that the stated understanding is fully accurate.
- j. Please provide a recalculation of 2005 test year labor cost using the work force and overtime assumptions reflected in HECO's filing, but using revised standard labor rates that reflect a "normal" base year (rather than the 2003 information which contained abnormal levels of overtime compared to what HECO projects for 2005). If exact amounts are not available, please provide HECO's best estimates and show in detail how such estimates were derived. Include supporting workpapers.
- k. Please provide HECO's best estimate of a "correction factor" or factors that can be applied to HECO's standard labor rates for the purpose of removing from the 2005 test year the apparent overstatement of labor costs that has resulted from HECO's use of information from 2003, a year of abnormally high levels of overtime cost. Include supporting workpapers.

CERTIFICATE OF SERVICE

I hereby certify that one copy of the foregoing NINTH SUBMISSION OF INFORMATION REQUESTS was duly served upon the following parties, by personal service, hand-delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR sec. 6-61-21(d).

William A. Bonnet
Vice President, Government and Community Affairs
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840

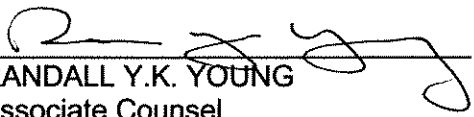
Patsy H. Nanbu
Director, Regulatory Affairs
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840

Thomas W. Williams, Jr., Esq.
Peter Y. Kikuta, Esq.
Goodsill Anderson Quinn & Stifel
1800 Alii Place
1099 Alakea Street
Honolulu, Hawaii 96813

Department of Commerce and Consumer Affairs
State of Hawaii
Division of Consumer Advocacy
335 Merchant Street, Room 326
Honolulu, Hawaii 96813

6 Copies

DATED: Honolulu, Hawaii, May 26, 2005


RANDALL Y.K. YOUNG
Associate Counsel
Naval Facilities Engineering Command,
Pacific